CORPORATE GOVERNANCE AND FINANCE DEPARTMENT

NOTICE

TO	:	**PUBLICLY-LISTED COMPANIES (PLCs), LARGE NON-LISTED ENTITIES (LNLs), AND OTHER STAKEHOLDERS**
SUBJECT	:	REQUEST FOR COMMENTS ON THE DRAFT MEMORANDUM CIRCULAR ON THE ADOPTION OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) ON SUSTAINABILITY DISCLOSURES AND ISSUANCE OF REPORTING GUIDELINES FOR PUBLICLY-LISTED COMPANIES AND LARGE NON-LISTED ENTITIES
DATE	:	30 JULY 2025

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Pursuant to the Commission's mandate to foster good corporate governance, promote transparency, and align with international best practices in sustainability disclosure, the **Securities and Exchange Commission (SEC)** is releasing for public comment the **draft Memorandum Circular** on the Adoption of Philippine Financial Reporting Standards (PFRS) on Sustainability Disclosures and Issuance of Reporting Guidelines for Publicly-Listed Companies and Large Non-Listed Entities (collectively, the "**SR Guidelines and Roadmap**").

The SR Guidelines and Roadmap for PLCs and LNLs were developed in consideration of evolving standards, particularly the Philippine Financial Reporting Standards (PFRS) S1, General Requirements for Disclosure of Sustainability-related Financial Information and PFRS S2, Climate-related Disclosures. In line with this adoption, the Commission also seeks the issuance of the Sustainability Reporting Guidelines for Publicly-Listed Companies and Large Non-Listed Entities (the "SR Guidelines for PLCs and LNLs"), which includes the PFRS Adoption Roadmap ("Roadmap").

The adoption of International Financial Reporting Standards (IFRS) S1 and S2, issued by the International Sustainability Standards Board (ISSB), was approved by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC). These standards were endorsed to the Professional Regulatory Board of Accountancy (PRBOA) for approval and were subsequently approved on March 12, 2024, in line with the standard-setting process for local application of these global standards.

The Commission also considered the results of the SEC's national sustainability reporting market readiness survey**.** The survey assessed readiness, validated tier segmentation, and informed the design of the proposed phased implementation.

Key features of the draft Memorandum Circular on the SR Guidelines for PLCs and LNLs and IFRS Adoption Roadmap include:

- Expansion of coverage to include LNLs
- Phased adoption timeline aligned with entity size and stakeholder readiness
- Phased mandatory limited assurance
- Transition reliefs

- Exemptions to Mandatory Reporting
- Philippine Sustainability Reporting Roadmap
- Compliance with the Attachment of Sustainability Report

The SEC invites all interested parties to review the draft and provide comments, and proposed revisions, by using https://bit.ly/Comments-on-SR-Guidelines on or before **15 August 2025.**

For additional reference, you may refer to the copy of the draft Memorandum Circular on the SR Guidelines and Roadmap for PLCs and LNLs.

This initiative forms part of the Commission's broader strategy to institutionalize sustainability reporting, strengthen ESG accountability, and enhance the quality and comparability of non-financial disclosures in the Philippines.

For information and guidance.

SEC MEMORANDUM CIRCULAR NO. __
Series of 2025

TO:	**PUBLICLY-LISTED COMPANIES AND LARGE NON-LISTED ENTITIES**
SUBJECT:	**ADOPTION OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) ON SUSTAINABILITY DISCLOSURES AND ISSUANCE OF REPORTING GUIDELINES FOR PUBLICLY-LISTED COMPANIES AND LARGE NON-LISTED ENTITIES**

To promote sustainability reporting and enhance its relevance to Philippine publicly-listed companies (PLCs) and large non-listed entities (LNLs), the Commission, in its en banc meeting held on July 29, 2025, resolved to adopt the Philippine Financial Reporting Standards (PFRS) S1, *General Requirements for Disclosure of Sustainability-related Financial Information* and PFRS S2, *Climate-related Disclosures*. In line with this adoption, the Commission also approved the issuance of the Sustainability Reporting Guidelines for Publicly-Listed Companies and Large Non-Listed Entities (the "SR Guidelines") ,which includes the PFRS Adoption Roadmap ("Roadmap").

The adoption of **International Financial Reporting Standards (IFRS) S1 and S2**, issued by the **International Sustainability Standards Board (ISSB)**, was approved by the Philippine **Financial and Sustainability Reporting Standards Council (FSRSC)**. These standards were **endorsed to the Professional Regulatory Board of Accountancy (PRBOA) for approval** and were **subsequently approved on March 12, 2024**, in line with the standard-setting process for local application of these global standards.

The **SR Guidelines and Roadmap** for PLCs and LNLs ("covered companies") serve to encourage sustainable business practices and align company disclosures with international standards to attract Environmental, Social, and Governance (ESG)-focused investors in the Philippine capital market. The Guidelines support companies in evaluating and managing their non-financial performance, including Economic, Environmental, Social and Governance factors, while also monitoring contributions to global and national sustainability agendas such as the UN Sustainable Development Goals and AmBisyon Natin 2040.

The Framework adopted under this Guidelines enables companies and stakeholders to better understand the financial impacts of sustainability-related risks and opportunities, supporting long-term value creation and improved capital allocation decisions.

This Circular is issued pursuant to Section 179(d) of the Revised Corporation Code, granting the Commission authority to promote good corporate governance and investor protection through internationally aligned regulations. It also supports the Commission's mandate under Section 68 of the Securities Regulation Code on corporate financial reporting, by enhancing the transparency, comparability and interconnectivity of both financial and sustainability disclosures in the Philippine capital market.

I. Sustainability Reporting Format and Frameworks to be used

1. PLCs and LNLs that are reporting entities under Section 17.2 of the Securities Regulation Code shall submit a Sustainability Report as an **attachment to the annual report.**
2. LNLs not falling under paragraph 1 shall submit a Sustainability Report together with their Audited Financial Statements.
3. All PLCs and LNLs are required to have their Sustainability Reports reviewed and approved by the Board of Directors prior to issuance.
4. From the effectivity of this Circular until Fiscal Year (FY) 2025, the Sustainability Report may follow any internationally recognized framework. Beginning **FY 2026**, covered companies shall use PFRS S1 and S2 in a tiered approach: (refer to Table 1)

- **Tier 1** – PLCs with **market capitalization of more than PHP 50 billion** as of December 31, 2025, or as at the date of its listing after December 31, 2025: FY beginning on or after January 1, 2026 (reporting in 2027).

- **Tier 2** – PLCs with **market capitalization of more than PHP 3 billion up to PHP 50 billion** as of December 31, 2025, or as at the date of its listing after December 31, 2025: FY beginning on or after January 1, 2027 (reporting in 2028).

- **Tier 3** – PLCs and LNLs as indicated below:

  (a) PLCs with **market capitalization of PHP 3 billion or less** as of December 31, 2025, or as at the date of its listing after December 31, 2025: FY beginning on or after January 1, 2028 (reporting in 2029); and

  (b) LNLs with **annual revenue of more than PHP 15 billion** for the immediately preceding fiscal year: FY beginning on or after January 1, 2028 (reporting in 2029). Revenue is income arising in the course of an entity's ordinary activities. The threshold shall be based on the consolidated or group-level revenues if the company is a parent, otherwise, it shall be at the company-level.

II. Assurance

Mandatory limited assurance on Scope 1 and 2 GHG emissions by an independent assurance practitioner shall be required **two (2) years** after the initial implementation of PFRS S1 and S2 for each Tier (refer to Table 2).

To ensure a consistent and high-quality sustainability assurance engagement, such assurance shall be conducted in accordance with applicable international standards, subject to further rules and guidelines that will be subsequently issued by the Commission.

III. Transition Reliefs

To address the challenges identified from public consultations, there are limited extensions to the transition standard reliefs provided in the Standards. There are no additional reliefs other than those described below because companies are allowed to use "reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort" on certain disclosure requirements (refer to Tables 1-3):

- Permitted to disclose information on only climate-related risks and opportunities: 1 year for Tier 1 & 2, 2 years for Tier 3

- Permitted to submit its Sustainability Report after it publishes its related financial statements at the same time as its next second-quarter or half-year interim financial statements or within 9 months if there is no interim financial statements: 1 year for all tiers
- Not required to disclose comparative information: 1 year for all tiers
- Use method other than Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004): 1 year for all tiers
- Scope 3 emissions not required: 2 years for all tiers

IV. Exemptions to Mandatory Reporting

To ease reporting compliance, an LNL is exempted to submit a sustainability-related report when all the following conditions are met:

a.) its immediate, intermediate or ultimate parent is already preparing the prescribed sustainability-related disclosures in the Philippines; and

b.) its sustainability-related disclosures are included in that parent's report.

V. Compliance with the Attachment of Sustainability Report

For PLCs, non-attachment of the Sustainability Report to the Annual Report shall be subject to the penalty for **Incomplete Annual Report** provided under SEC Memorandum Circular No. 4, Series of 2019 and SEC Resolution no. 581, series of 2021 which provides the "monitoring by the Corporate Governance and Finance Department of the Sustainability Reports submitted by Publicly-Listed Companies as a separate report from the Annual Report, and to subject the penalties for non-submission or late submission of Sustainability Reports to a separate scaling of penalties."

For purposes of applying the scaling of penalties, the count of offenses under this circular shall commence as first offense, and shall not be considered a continuation of any prior offenses related to SEC Memorandum Circular No. 4, Series of 2019.

For LNLs, penalties shall be subject to subsequent issuances of the Commission.

VI. Effectivity

This Memorandum Circular shall take effect fifteen (15) days after publication in two (2) newspapers of general circulation.

Issued this ___ day of _______, 2025 in Makati City, Philippines.

For the Commission

FRANCIS ED. LIM
Chairperson

Table 1

Adoption of IFRS Sustainability Disclosure Standards with transition reliefs	2026	2027	2028	2029	2030	2031
Tier 1 – PLCs with market capitalization of more than PHP 50 billion	First year of adoption		Full adoption			
• Climate-first approach						
• Report after release of FS (Q2 or w/in 9mos)						
• Not required to report comparative info.						
• Methods other than GHG Protocol are allowed						
• Scope 3 emissions are not mandatory						
Tier 2 – PLCs with market capitalization of more than PHP 3 billion up to PHP 50 billion		First year of adoption		Full adoption		
• Climate-first approach						
• Report after release of FS (Q2 or w/in 9mos)						
• Not required to report comparative info.						
• Methods other than GHG Protocol are allowed						
• Scope 3 emissions are not mandatory						
Tier 3 – (a) PLCs with market capitalization of PHP 3 billion or less; and (b) Large non-listed companies with annual revenue of more than PHP 15 billion			First year of adoption		Full adoption	
• Climate-first approach						
• Report after release of FS (Q2 or w/in 9mos)						
• Not required to report comparative info.						
• Methods other than GHG Protocol are allowed						
• Scope 3 emissions are not mandatory						

Temporary transition reliefs:

Table 2

Mandatory limited assurance by accountant and non-accountant assurance practitioners	2026	2027	2028	2029	2030	2031
Tier 1 PLCs			Scopes 1 and 2 only			
Tier 2 PLCs				Scopes 1 and 2 only		
Tier 3 PLCs and large non-listed companies					Scopes 1 and 2 only	

Table 3

Transition Reliefs	Description	Tiers 1 and 2	Tier 3
Climate-first approach	Permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2).	1 year	2 years
Report after release of FS (Q2 or w/in 9mos)	Permitted to report its sustainability reports after it publishes its related financial statements. Sustainability reports should be filed: • At the same time as half-year interim (Q2) financial statements; • Within 9 months if not required or does not voluntarily provide interim financial statements.	1 year	1 year
Not required to report comparative info.	Not required to disclose comparative information in the sustainability reports	1 year	1 year
Methods other than GHG Protocol are allowed	Permitted to continue using a method for measuring greenhouse gas emissions other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).	1 year	1 year
Scope 3 emissions are not mandatory	Not required to disclose its Scope 3 greenhouse gas emissions.	2 years	2 years